



ECONOMIC INDICATORS

JULY - AUGUST 2001

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

California's economy, while still outperforming the nation, is feeling the effects of sluggish US and international conditions, with job growth easing, softening real estate markets and reduced building activity. This California slow-down is largely concentrated in the high-technology-dependent San Francisco Bay Area, while Southern California continues to post moderate gains by most measures of activity.

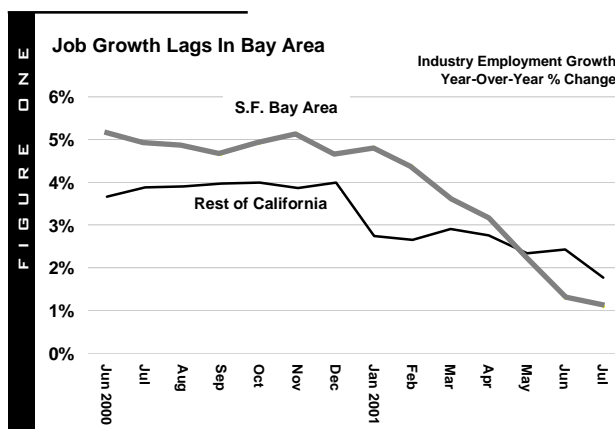
California's employment picture changed notably during the first seven months of 2001. Through July, month-to-month job growth has averaged 7,230 versus over 46,000 during 2000. July's 1.6 percent year-over-year growth rate is the slowest rate recorded since October 1994.

Despite decelerating job growth, California is still leading the nation. Since the end of 2000 the state added almost twice as many industry jobs as the nation—54,800 in California versus 28,000 for the US.

Government has been the employment growth leader for the last several months with gains averaging nearly 10,000 per month in May, June, and July. Meanwhile, private employment dropped in each of these months and has averaged only a 550 month-to-month job gain this year, compared to more than 33,000 per month in 2000. During July, retail trade was the only private industry sector to post a gain. Manufacturing employment dropped 12,000, led by losses in electronics and food processing—the latter stemming from unseasonably cool weather that delayed harvests and the bankruptcy of a major canner.

Looking at year-over-year performance, services added the most jobs, 94,900, while construction grew the fastest, 3.6 percent. Both durable and nondurable manufacturing declined over the year—by 25,900 and 14,100 respectively.

The internet boom made the nine-county San Francisco Bay area the fastest growing region of the state throughout the year 2000. However, the leveling off in computer services industries in 2001 has reversed this situation. The rest of the state is now outpacing the high-tech bastion by the Bay. Nonfarm employment in the San Francisco region, which added 12,700 jobs each month in 2000, has actually lost 5,100 jobs on average each month in 2001. A year ago



EMPLOYMENT

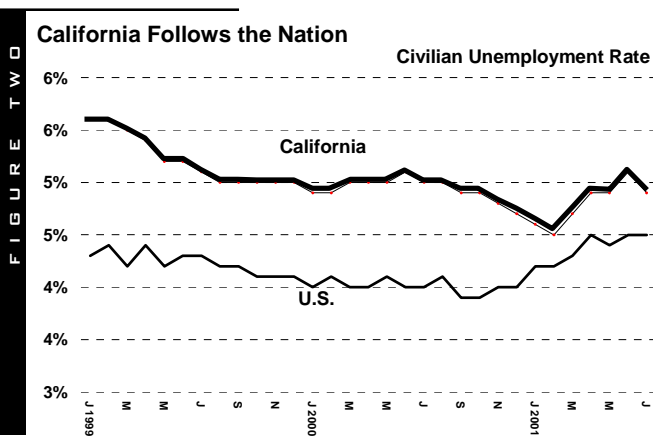
PUBLIC SECTOR LEADS EMPLOYMENT GROWTH

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overall industry employment in this region posted a 4.9 percent annual growth rate. In July 2001, employment rose only 1.1 percent from July 2000. More tellingly, employment in business services, which is dominated by computer programming and internet-related services, slowed from a 20 percent year-over-year rate a year ago to only 1.7 percent this year. In the Silicon Valley, year-over-year business service employment growth was running at a 21 percent rate a year ago, but in July it actually declined 4.1 percent from a year ago.

California's unemployment rate dropped 0.2 percent in July to 4.9 percent—0.1 percent below the year-ago rate. Household employment rose by nearly 12,000 in July, while the number of people unemployed fell by 43,000. Reflecting recent employment performance, the growth of the civilian labor force slowed appreciably in 2001. After averaging 3.0 percent year-over-year growth in 2000, the labor force has been expanding by less than 2.0 percent thus far in 2001.



**UNEMPLOYMENT
DROPS TO 4.9 PERCENT**

**BUILDING
ACTIVITY**

**UNCLEAR BUILDING
TRENDS IN JUNE**

**REAL
ESTATE**

**WEAK IN
THE NORTH,
STRONG IN
THE SOUTH**

Construction activity in June gave mixed signals. While building activity during the first half of 2001 was stronger than during the first six months of 2000 overall, most construction categories were lower in June from both the preceding month and from June 2000.

Residential construction during the first six months of 2001, as measured by permitted units, increased by 0.7 percent from the same period last year. However, June permits were down 1.7 percent from May and were off 25.4 percent from June 2000. The dramatic year-over-year reduction was due to an abnormal burst of multifamily permitting in June 2000—the highest level for a single month since June 1990.

Mixed Construction Results in June			
	June 2001 compared to:		First 6 Mos.
	May 2001	June 2000	2000-2001
New Housing Units			
Single-Family	-3.8%	-6.8%	8.8%
Multi-Family	5.1%	-53.2%	-17.4%
Total Residential	-1.7%	-25.4%	0.7%
Building Permit Valuation			
Residential	-3.0%	-15.7%	6.1%
Nonresidential	-11.3%	-17.4%	2.5%
Total Valuation	-6.2%	-16.3%	4.7%

Source: Construction Industry Research Board

Similarly, for the first six months of this year nonresidential construction, as measured by permit value, was up 2.5 percent from the first half of 2000. However, June's permits were off over 11 percent from May and down over 17 percent from June 2000.

California's real estate market was also mixed in June. Statewide sales of single-family homes rose over the month but were down 6.4 percent from a year ago. The state's inventory index for existing, single-family homes—the number of months needed to exhaust the supply of homes on the market at the current sales rate—was 3.6 months in June, compared to 3.0 months a year ago. Despite weakening sales, the statewide median price continued to climb, rising 9.8 percent above the June 2000 price.

In line with regional employment patterns, home sales have slowed the most dramatically in the San Francisco Bay area. Sales of single-family homes in June in Santa Clara County—the Silicon Valley—fell 27 percent from a year ago, while home prices were nearly stagnant, rising a meager 1.1 percent. In contrast, home sales and prices posted strong gains in Southern California. Over the year, median single-family home prices were up 9.2 percent in Los Angeles, 8.8 percent in Orange County, 10.8 percent in San Diego, and 16.5 percent in the Riverside/San Bernardino region.

TRADE

Weaker Exports

FIGURE FOUR

Made-in-California Exports Top 10 Destinations*

Country	Exports (\$millions)		Percent Change
	2000 Q2	2001 Q2	
1 Mexico	\$ 4,262.0	\$ 4,122.4	-3.3%
2 Japan	\$ 3,774.4	\$ 3,715.7	-1.6%
3 Canada	\$ 3,388.2	\$ 3,124.7	-7.8%
4 China (Taiwan)	\$ 1,868.1	\$ 1,467.3	-21.5%
5 United Kingdom	\$ 1,419.8	\$ 1,458.0	2.7%
6 South Korea	\$ 1,875.5	\$ 1,230.5	-34.4%
7 China (Mainland)	\$ 844.6	\$ 1,166.7	38.1%
8 Netherlands	\$ 1,249.2	\$ 1,109.8	-11.2%
9 Germany	\$ 1,209.0	\$ 1,089.6	-9.9%
10 Singapore	\$ 1,176.5	\$ 1,072.1	-8.9%
Rest of the World	\$ 2,968.8	\$ 3,455.8	16.4%
Total California Exports	\$ 28,973.3	\$ 27,059.8	-6.6%

* Based on 2001Q2 exports.

Source: Massachusetts Institute for Social and Economic Research

The international slowdown is now noticeably affecting California exports. Shipments of California-made goods to other countries in the second quarter fell 6.6 percent below the comparable 2000 figure. For the first half of the year, California exports were still up 2.9 percent, a gain well below last year's 20.7 percent jump.

Second quarter weakness was confined mostly to the computers and electronics sector, where exports fell by 16 percent from the year-earlier pace. Industrial machinery (which excludes computers under the new North American Industry Classification System—NAICS) was also down by 6 percent. In contrast, agriculture and food products rose 17 percent, as did chemicals. Among countries, exports to eight of the leading ten countries declined, led by a 34 percent drop in South Korea, which was the fastest growing California market in 2000. Exports to mainland China surged 38 percent and shipments to the UK rose 3 percent.

CALIFORNIA'S VENTURE CAPITAL TRENDS

THE IMPORTANCE OF CAPITAL MARKETS

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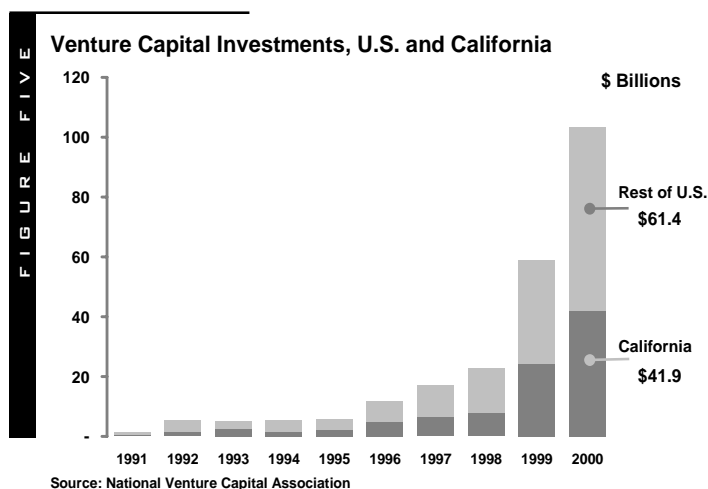
During the late-1990s capital markets became an increasingly important factor in California's economic performance. The bull stock market of the 1990s and the proliferation of internet technologies, services, and companies led to phenomenal capital investment growth that impacted California in many ways. Rising stock prices generated capital gains and stock option income at a record pace, which in turn led to rising incomes, booming retail sales, skyrocketing real estate values, and burgeoning tax revenues.

The unprecedented expectations of future returns from the Internet sparked a tidal wave of capital investment in California companies, principally those in the Silicon Valley and nearby Bay Area counties. Initial public offerings by California firms raised \$16.2 billion in 1999—nearly five times the amount raised in 1998, according to National Venture Capital Association. Although the shakeout of the high technology stock market dramatically reversed this trend, California-based firms still accounted for one-fifth of the value of the entire nation's IPOs in 2000.

VENTURE CAPITAL EXPLODES

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Venture capital investments also constituted a significant Internet-induced capital flow for the state. Venture capital investments in California nearly tripled in 1999 and then rose another 74 percent in 2000, reaching nearly \$42 billion. Not surprisingly, companies in the Silicon Valley, and the San Francisco Bay area generally, were the principal recipients. Venture capital investments in Northern California firms tripled in 1999 to \$19.5 billion to account for over 30 percent of the nation's total venture capital investments. The state as a whole accounted for nearly 39 percent of the nation's total venture capital investments in 1999. The flow of venture capital rose dramatically again in 2000 with Northern California firms garnering \$33.3 billion—almost a third of the national total.

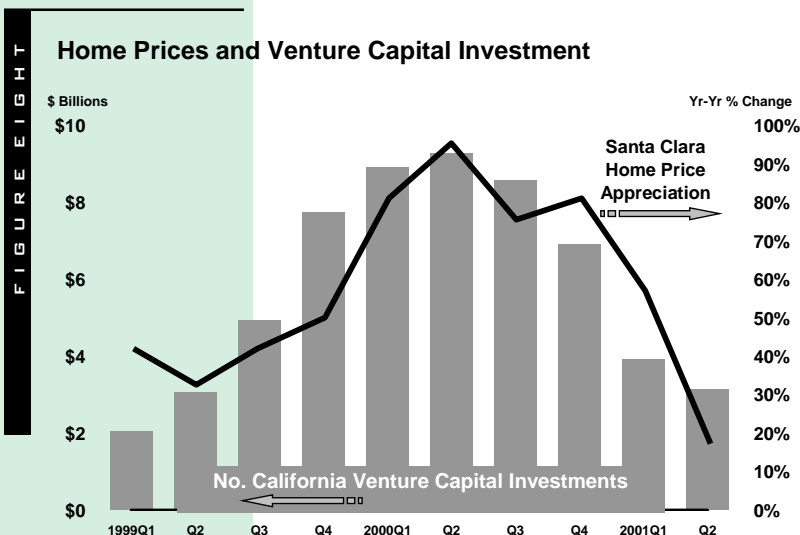
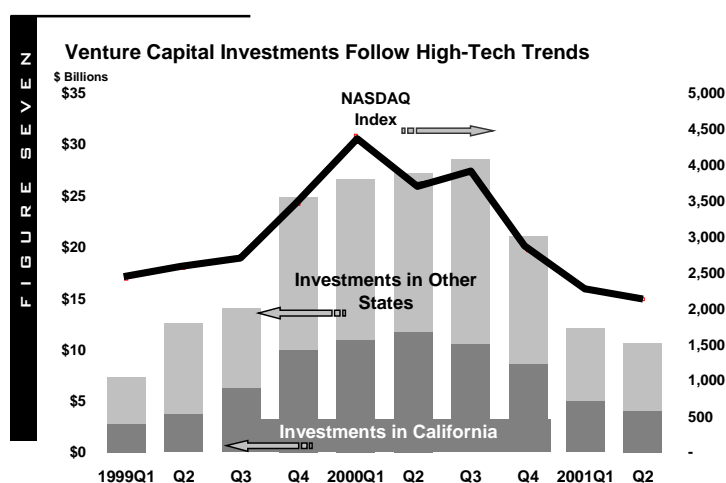
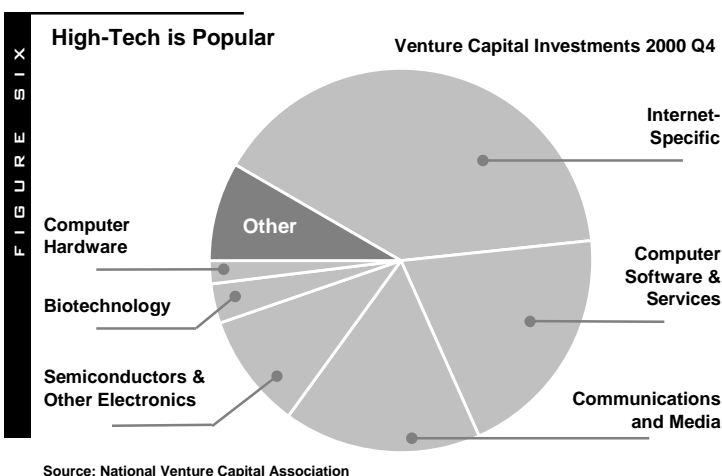


TRADE

FROM BOOM TO BUST

As would be expected, high technology and Internet-related activities have attracted the lion's share of venture capital investments. Nearly 90 percent of investments made at the end of 2000 went to various high technology industries. Over 40 percent went to Internet-specific firms. This preference for high technology largely explains why California received such a large share. High technology firms received 92 percent of investments made in California in the fourth quarter of 2000.

However, the growth trend also sharply reversed at the end of 2000. The erosion of the capital market's exuberance over the Internet dampened venture capital investments overall, and investments in high technology especially. The share of venture capital investments in high technology industries fell from 90 percent in the last quarter of 2000 to just over 80 percent during the second quarter of 2001. And, just as California benefited disproportionately from its growth, the state is suffering more severely than the rest of the nation from the drop in venture capital investment. Diminished investment has been an important factor in the recent slowing of the state's economy. Since peaking in March 2000, the high-technology dominated NASDAQ Index had lost over 50 percent of its value by the middle of 2001. Nationally, venture capital investing during the first six months of 2001 dropped 58 percent from the same period in 2000. Over the same period, investment in California firms fell 60 percent, a net reduction of \$13.5 billion.



Since venture capital investments in California were so heavily concentrated in Internet-related ventures, it is not surprising that the San Francisco Bay Area has borne the brunt of the current economic slowdown. Job growth has slowed appreciably and the area's once skyrocketing home prices are now stagnant.

Other factors related to the shakeout of high technology industry, including reduced stock option income and reduced capital gains, have also taken some of the shine out of the state's economic performance, but the dramatic reduction of capital in-flow has been a significant factor.

SELECT INDICATORS

EMPLOYMENT

EMPLOYMENT (Seasonally adjusted)

	2001				2000	Yr-Over-Yr % Change
	Jul	Jun	May	Apr	Jul	
Civilian employment (000)	16,500	16,488	16,503	16,535	16,265	1.4
Unemployment (000)	851	894	854	844	863	-1.4
Unemployment rate	4.9	5.1	4.9	4.9	5.0	--
Nonagricultural wage and salary employment (000)	14,813.6	14,820.7	14,813.4	14,818.3	14,579.0	1.6
Mining	23.1	23.3	23.3	23.4	23.6	-2.1
Construction	764.4	768.6	768.8	767.5	737.8	3.6
Manufacturing	1,912.4	1,924.4	1,932.3	1,936.2	1,952.4	-2.0
Durable	1,197.9	1,204.7	1,213.3	1,217.5	1,223.8	-2.1
High technology a/	507.3	509.5	511.3	513.6	518.1	-2.1
Computer and office equipment	93.4	94.3	93.8	93.9	96.5	-3.2
Communications equipment	41.9	41.9	41.9	42.6	42.4	-1.2
Electronic components	160.9	162.6	164.0	165.5	165.3	-2.7
Aircraft and parts	70.6	70.7	70.9	70.9	73.7	-4.2
Missiles, spacecraft, and parts	20.8	20.8	20.7	20.7	21.7	-4.1
Search and navigation equipment	48.9	48.6	48.8	48.8	49.1	-0.4
Measuring and controlling devices	70.8	70.6	71.2	71.2	69.4	2.0
Nondurable	714.5	719.7	719.0	718.7	728.6	-1.9
Transportation and public utilities	759.7	763.4	764.2	765.0	746.2	1.8
Trade	3,368.5	3,368.2	3,366.2	3,364.7	3,313.2	1.7
Wholesale	850.6	851.3	851.2	849.5	830.5	2.4
Retail	2,517.9	2,516.9	2,515.0	2,515.2	2,482.7	1.4
Finance, insurance, and real estate	842.1	843.1	842.5	841.2	822.1	2.4
Services e/	4,750.2	4,751.9	4,746.9	4,754.2	4,655.3	2.0
Business services	1,424.2	1,426.2	1,433.8	1,437.9	1,388.5	2.6
Motion pictures	184.9	187.3	183.3	191.9	190.7	-3.0
Amusement and recreation services	213.1	212.2	212.2	213.3	212.1	0.5
Engineering and management consulting	478.3	477.8	476.3	476.5	474.0	0.9
Government	2,393.2	2,377.8	2,369.2	2,366.1	2,328.4	2.8
Federal	260.2	256.9	259.2	261.0	276.9	-6.0
State and local	2,133.0	2,120.9	2,110.0	2,105.1	2,051.5	4.0

HOURS & EARNINGS

HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)

Average weekly hours	40.7	40.9	40.8	40.2	41.5	-1.9
Average weekly earnings	\$599.10	\$598.78	\$595.27	\$585.31	\$595.53	0.6
Average hourly earnings	\$14.72	\$14.64	\$14.59	\$14.56	\$14.35	2.6

CONSUMER PRICES

CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)

All Urban Consumers Series						
California Average	n.a.	183.2	n.a.	181.0	n.a.	--
San Francisco CMSA	n.a.	190.9	n.a.	189.1	n.a.	--
Los Angeles CMSA	178.3	178.9	177.5	176.6	171.7	3.8
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	176.3	n.a.	174.1	n.a.	--
San Francisco CMSA	n.a.	186.9	n.a.	184.9	n.a.	--
Los Angeles CMSA	171.3	171.9	170.5	169.6	165.0	3.8

CONSTRUCTION

CONSTRUCTION

	2001				2000	Yr-Over-Yr % Change
	Jun	May	Apr	Mar	Jun	
Private residential housing units authorized (000) b/	125.8	153.5	159.7	155.2	179.4	-29.9
Single units	89.4	104.5	114.7	118.9	98.9	-9.6
Multiple units	36.4	49.0	45.0	36.2	80.6	-54.8
Residential building authorized valuation (millions) c/	\$1,922	\$2,490	\$2,530	\$2,269	\$2,282	-15.8
Nonresidential building authorized valuation (millions) c/	\$1,226	\$1,573	\$1,476	\$1,454	\$1,483	-17.3
Nonresidential building authorized valuation (millions) d/	\$1,448	\$1,633	\$1,386	\$1,522	\$1,752	-17.4
Commercial	532	708	505	613	675	-21.2
Industrial	149	100	105	153	212	-29.5
Other	235	239	179	171	203	15.8
Alterations and additions	532	585	596	585	663	-19.7

AUTO SALES

AUTO SALES (Seasonally adjusted)

New auto registrations (number)	140,216	150,680	141,290	143,301	153,288	-8.5
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a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

e/ Only select industry components are shown therefore will not add to total.

n.a. Not available

**SELECT
INDICATORS
(CONTINUED)**

VACANCY RATES

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**VACANCY RATES FOR 1ST QUARTER 2001
(Percent)**

	Office			Industrial
	<u>Total</u>	<u>Downtown</u>	<u>Suburban</u>	
Northern and Central California:				
Oakland-East Bay	4.9	5.1	4.8	--
Sacramento	6.3	4.7	6.8	10.8
San Francisco	7.1	7.0	7.5	5.9
San Jose	5.8	4.9	6.1	--
Southern California:				
Los Angeles Metro	11.6	15.0	10.9	9.2
Orange County	13.0	--	13.0	--
San Diego	7.0	8.3	6.7	5.9
Ventura County	10.3	--	10.3	--
National Average	9.0	7.0	10.3	8.1

HOME PRICES

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MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

2000				2001			
Jan	\$226,870	Jul	243,240	Jan	\$246,380	Jul	
Feb	227,160	Aug	255,580	Feb	245,560	Aug	
Mar	233,140	Sep	248,020	Mar	262,980	Sep	
Apr	241,600	Oct	252,510	Apr	262,420	Oct	
May	240,470	Nov	251,760	May	257,060	Nov	
Jun	244,230	Dec	249,370	Jun	266,930	Dec	

LEADING INDICATORS/

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Initial Claims	Incorporations	(Thousands)
1997	Jan	4.7	41.5	67,377	4,713	90.5
	Feb	4.8	41.8	55,952	4,355	122.6
	Mar	5.1	42.2	58,551	3,579	98.7
	Apr	5.0	42.0	59,557	3,957	102.4
	May	4.9	41.8	59,293	4,479	108.2
	Jun	4.9	41.7	63,334	4,367	108.4
	Jul	4.9	41.7	61,910	4,744	112.3
	Aug	5.1	42.0	63,234	4,206	114.3
	Sep	5.0	42.0	64,061	4,763	121.2
	Oct	5.0	42.0	61,392	4,738	127.9
	Nov	5.0	42.2	58,151	4,421	117.1
	Dec	5.1	42.2	58,804	4,823	108.8
1998	Jan	5.1	42.1	57,555	4,711	105.8
	Feb	5.0	41.9	59,896	4,575	111.7
	Mar	4.9	41.9	58,500	4,613	128.8
	Apr	4.5	41.2	57,552	5,084	116.6
	May	4.7	41.8	58,844	4,502	121.6
	Jun	4.8	41.9	54,072	4,705	142.9
	Jul	4.7	41.9	54,244	4,837	117.5
	Aug	4.6	41.7	52,766	4,378	137.2
	Sep	4.5	41.4	50,869	3,745	125.9
	Oct	4.7	41.8	52,740	4,711	137.2
	Nov	4.6	41.7	54,399	4,728	139.9
	Dec	4.6	41.8	53,932	4,602	126.8
1999	Jan	4.6	42.2	53,407	4,930	140.7
	Feb	4.7	41.9	52,466	5,096	137.6
	Mar	4.7	42.0	52,826	6,033	134.6
	Apr	4.7	42.0	52,809	5,080	140.3
	May	4.8	42.0	50,231	5,292	141.4
	Jun	4.7	41.9	51,380	5,506	145.3
	Jul	4.5	41.7	51,205	5,303	148.3
	Aug	4.6	41.5	51,077	5,864	136.8
	Sep	4.6	41.3	50,513	5,848	133.4
	Oct	4.8	41.6	49,289	5,686	134.5
	Nov	4.8	41.5	51,158	5,987	142.6
	Dec	4.8	41.5	45,004	6,477	142.0
2000	Jan	4.9	41.5	52,060	6,500	154.1
	Feb	4.9	41.3	49,021	6,867	157.7
	Mar	4.9	41.4	47,039	8,319	153.0
	Apr	5.3	42.0	45,280	7,552	137.6
	May	5.0	41.6	47,659	6,699	132.6
	Jun	5.0	41.7	49,108	7,191	179.4
	Jul	5.1	41.7	48,486	7,205	133.5
	Aug	5.0	41.7	47,928	7,190	143.3
	Sep	5.0	42.0	48,084	7,133	141.9
	Oct	5.1	41.8	49,364	7,360	142.4
	Nov	4.8	41.5	47,796	7,561	150.1
	Dec	4.7	41.5	52,366	6,256	165.4
2001	Jan	4.4	41.0	49,371	7,472	183.5
	Feb	4.5	41.2	49,269	6,340	154.1
	Mar	4.5	41.1	52,879	6,466	155.2
	Apr	4.0	40.6	54,543	6,250	159.7
	May	4.3	41.0	55,805	6,956	153.5
	Jun	4.3	40.9	54,571	6,236	125.8
	Jul	4.3	40.9	n.a.	6,359	n.a.

a/ Seasonally adjusted by the California Department of Finance.

n.a. Not available

COINCIDENT INDICATORS/A

EMPLOYMENT, UNEMPLOYMENT

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		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1997	Jan	12,903	1,878	6.7	441
	Feb	12,968	1,887	6.6	410
	Mar	13,017	1,895	6.4	374
	Apr	13,080	1,899	6.4	398
	May	13,096	1,905	6.3	366
	Jun	13,129	1,913	6.3	380
	Jul	13,158	1,920	6.2	397
	Aug	13,176	1,923	6.2	375
	Sep	13,220	1,927	6.2	384
	Oct	13,253	1,933	6.2	388
	Nov	13,263	1,942	6.1	375
	Dec	13,332	1,952	6.1	395
1998	Jan	13,405	1,954	6.1	335
	Feb	13,428	1,957	6.1	363
	Mar	13,454	1,960	6.0	365
	Apr	13,495	1,960	6.0	367
	May	13,537	1,965	6.0	355
	Jun	13,578	1,962	5.9	353
	Jul	13,604	1,946	5.9	352
	Aug	13,649	1,945	5.9	358
	Sep	13,705	1,953	6.0	355
	Oct	13,728	1,944	5.8	337
	Nov	13,768	1,937	5.8	354
	Dec	13,801	1,933	5.8	367
1999	Jan	13,786	1,925	5.6	353
	Feb	13,827	1,923	5.6	367
	Mar	13,856	1,924	5.5	372
	Apr	13,900	1,925	5.4	363
	May	13,925	1,924	5.2	374
	Jun	13,948	1,923	5.2	375
	Jul	14,002	1,922	5.1	352
	Aug	14,033	1,923	5.0	357
	Sep	14,064	1,927	5.0	365
	Oct	14,084	1,924	5.0	349
	Nov	14,121	1,923	5.0	347
	Dec	14,171	1,925	5.0	339
2000	Jan	14,256	1,933	4.9	354
	Feb	14,306	1,934	4.9	345
	Mar	14,360	1,937	5.0	348
	Apr	14,409	1,937	5.0	336
	May	14,480	1,940	5.0	328
	Jun	14,507	1,947	5.1	331
	Jul	14,579	1,952	5.0	337
	Aug	14,612	1,953	5.0	341
	Sep	14,644	1,951	4.9	315
	Oct	14,676	1,952	4.9	339
	Nov	14,707	1,953	4.8	347
	Dec	14,759	1,953	4.7	315
2001	Jan	14,714	1,950	4.6	347
	Feb	14,741	1,945	4.5	353
	Mar	14,799	1,944	4.7	353
	Apr	14,818	1,936	4.9	385
	May	14,813	1,932	4.9	419
	Jun	14,821	1,924	5.1	420
	Jul	14,814	1,912	4.9	n.a.

INCOME, WAGES, TAXABLE SALES

— . . . —

		Personal Income (\$ millions)	Wages & Salaries from Mining, Construction and Manufacturing (\$ millions)	Taxable Sales (\$ millions)
1995	Qtr I	756,093	85,169	72,555
	Qtr II	770,213	86,494	74,894
	Qtr III	777,974	87,800	76,045
	Qtr IV	781,601	88,764	76,863
1996	Qtr I	801,895	93,871	78,937
	Qtr II	806,756	91,200	80,116
	Qtr III	811,252	90,351	80,398
	Qtr IV	829,714	94,874	81,145
1997	Qtr I	841,316	100,333	82,866
	Qtr II	852,798	102,251	84,167
	Qtr III	869,311	104,352	85,968
	Qtr IV	885,034	105,143	87,444
1998	Qtr I	901,547	108,286	87,246
	Qtr II	914,431	111,341	89,126
	Qtr III	929,394	112,827	90,733
	Qtr IV	951,641	117,286	91,120
1999	Qtr I	954,565	117,047	93,739
	Qtr II	976,823	121,074	97,146
	Qtr III	1,002,894	127,493	99,747
	Qtr IV	1,031,245	131,080	103,096
2000	Qtr I	1,090,895	147,778	107,393
	Qtr II	1,085,702	141,268	109,940
	Qtr III	1,118,982	151,793	109,979
	Qtr IV	1,096,264	139,932	109,409
2001	Qtr I	1,166,378	156,212	110,033

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

n.a. Not available

OTHER INDICATORS

DOD Prime Contracts a/						Foreign Trade through California Ports			
	\$ millions	% of U.S.		\$ millions	% of U.S.	2000	\$ millions	2001	\$ millions
1981-82	22,685	21.8	1991-92	23,843	21.2	Jan	27,067	Jan	31,457
1982-83	26,387	22.2	1992-93	22,952	20.1	Feb	27,883	Feb	27,796
1983-84	28,520	23.0	1993-94	22,573	20.5	Mar	31,957	Mar	31,866
1984-85	29,115	20.8	1994-95	18,277	16.8	Apr	31,128	Apr	28,116
1985-86	27,738	20.4	1995-96	18,230	16.7	May	30,898	May	
1986-87	24,515	18.4	1996-97	18,477	17.3	Jun	33,650	Jun	
1987-88	23,458	18.7	1997-98	17,401	15.9	Jul	33,222	Jul	
1988-89	23,125	19.3	1998-99	17,372	15.1	Aug	35,781	Aug	
1989-90	22,312	18.4	1999-00	18,100	14.7	Sep	35,250	Sep	
1990-91	24,265	19.5				Oct	37,506	Oct	
						Nov	34,125	Nov	
						Dec	33,615	Dec	

a/ U.S. fiscal year: October through September

TECHNICAL NOTE

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

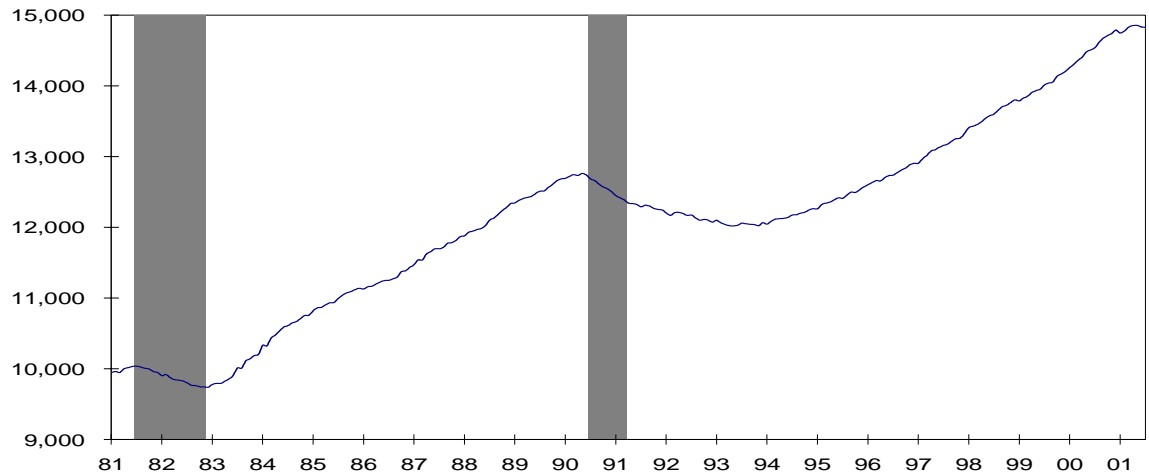
Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the

seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

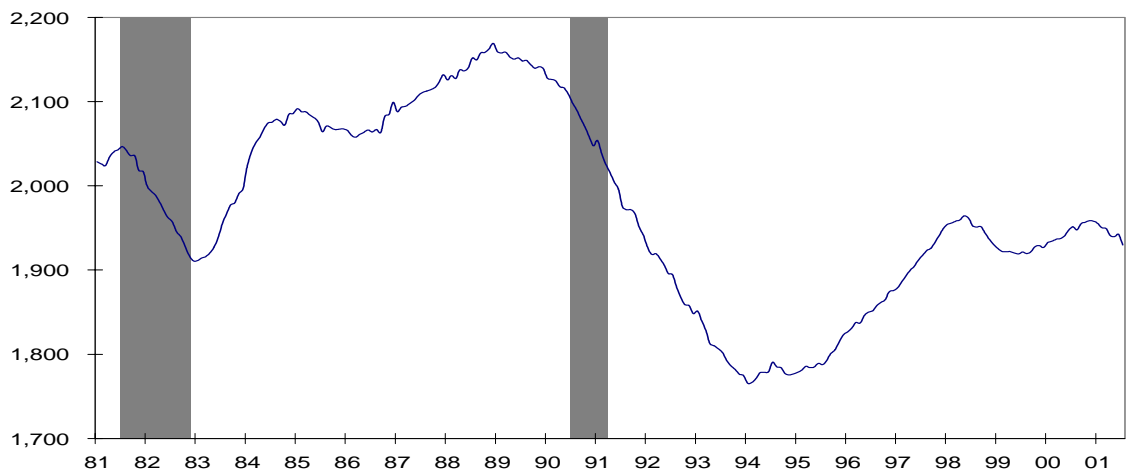
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

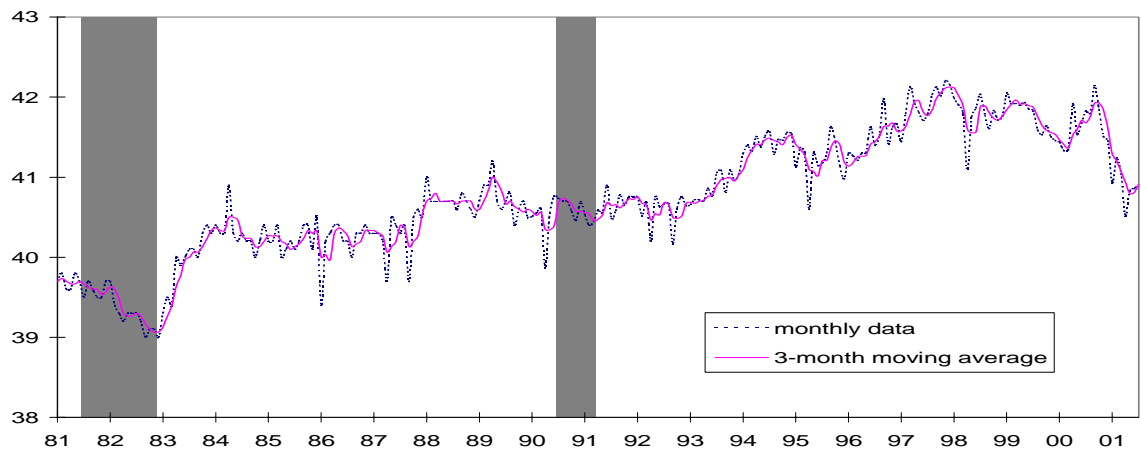
NONAGRICULTURAL EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)



MANUFACTURING EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)

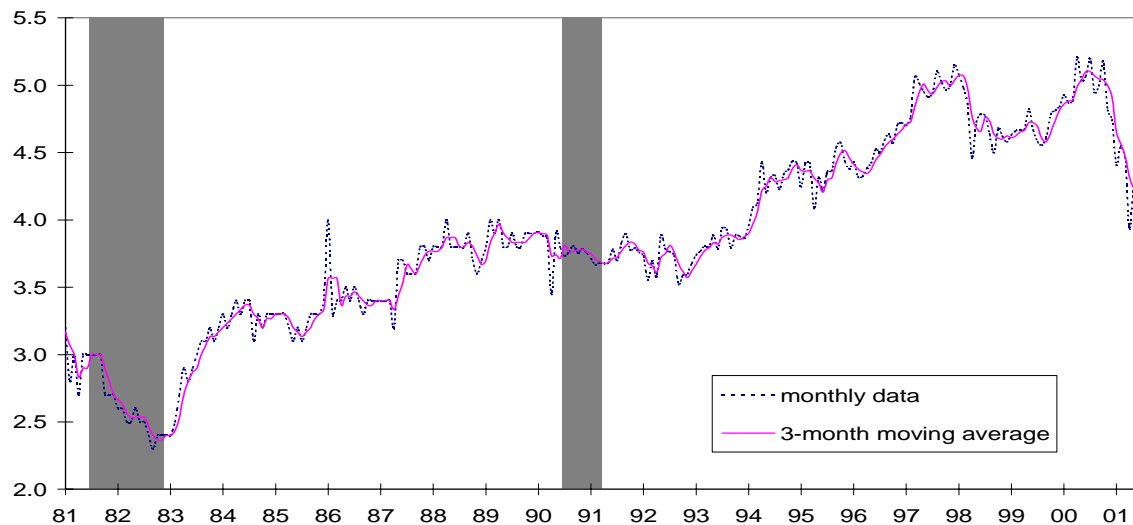


AVERAGE WEEKLY HOURS, MANUFACTURING (SEASONALLY ADJUSTED)



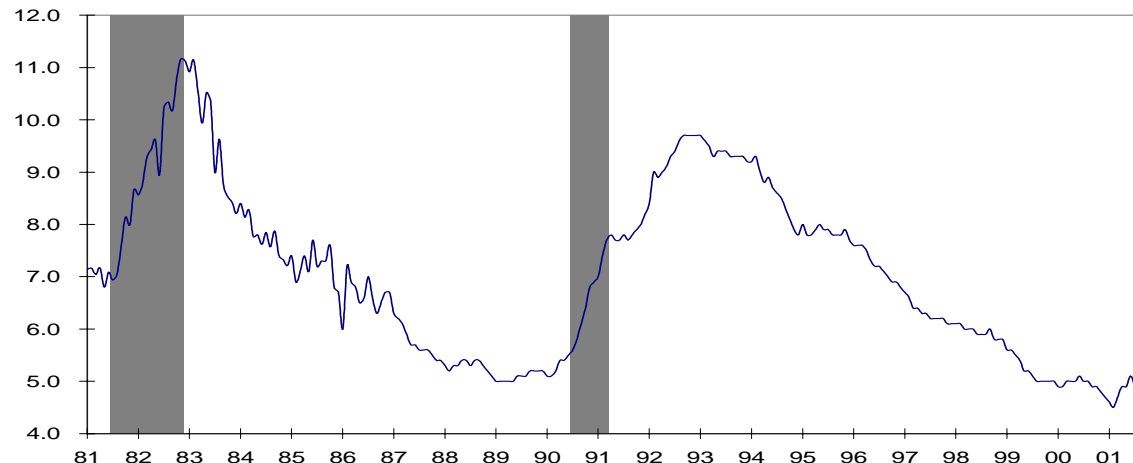
**AVERAGE OVERTIME
HOURS,
MANUFACTURING**
(SEASONALLY ADJUSTED)

— . . . —



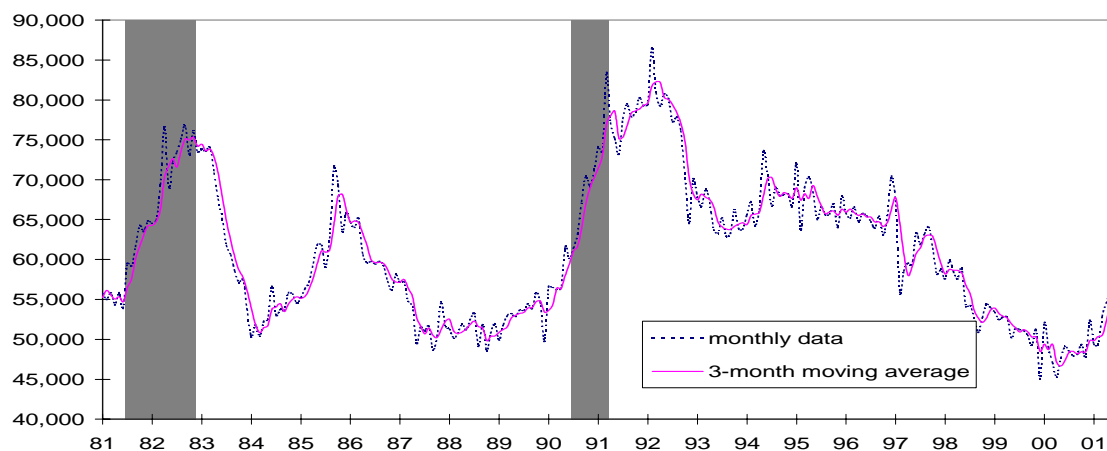
**UNEMPLOYMENT
RATE**
(PERCENT)

— . . . —



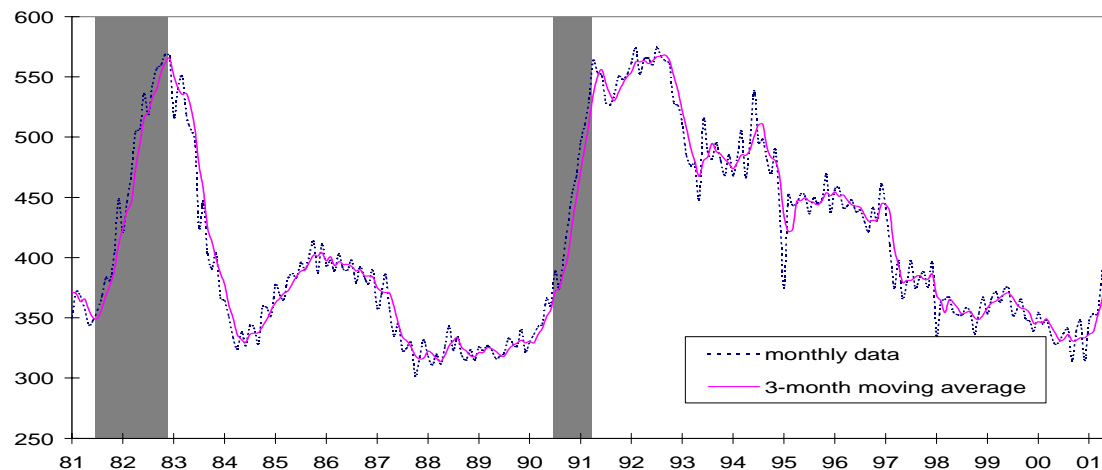
**INITIAL &
TRANSITIONAL
CLAIMS FOR
UNEMPLOYMENT
INSURANCE**
(WEEKLY AVERAGE,
SEASONALLY ADJUSTED)

— . . . —



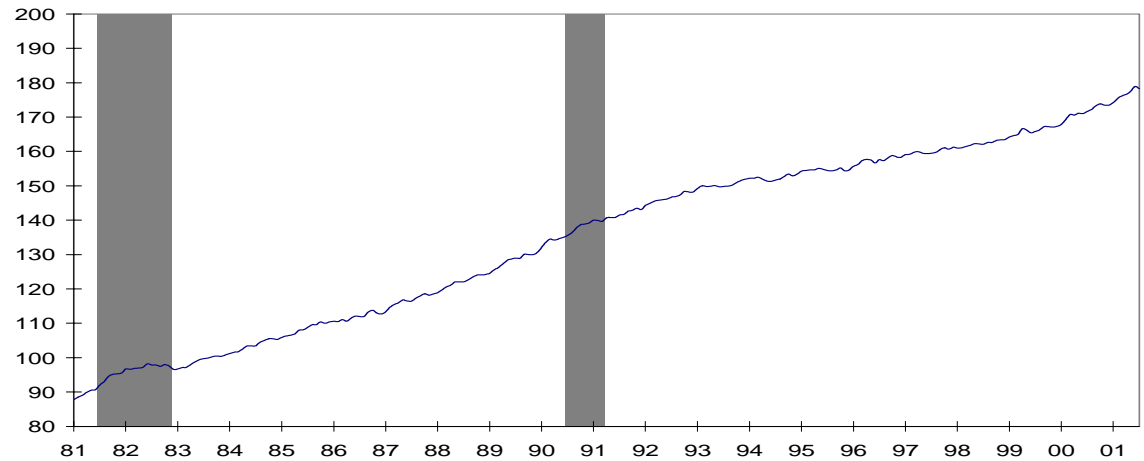
**UNEMPLOYMENT,
AVERAGE WEEKS
CLAIMED**
(THOUSANDS, SEASONALLY
ADJUSTED)

— . . . —



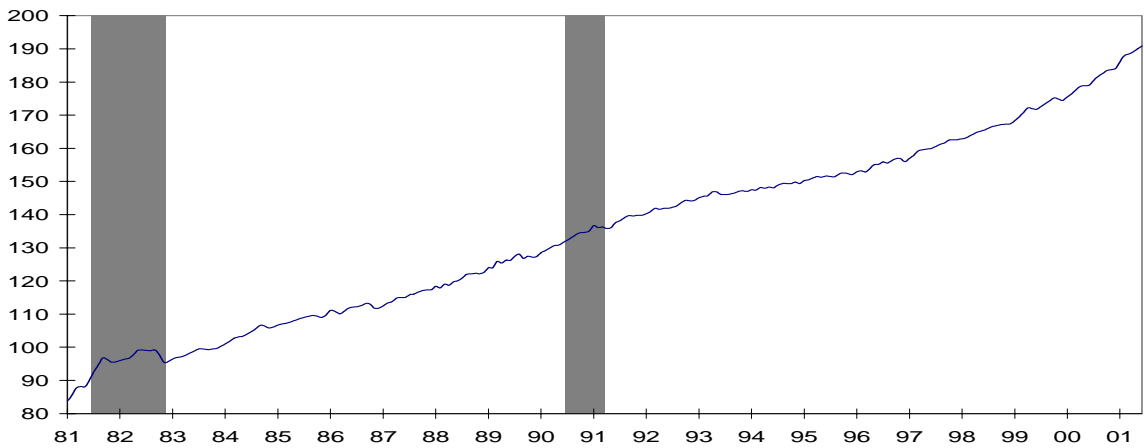
CONSUMER PRICE
INDEX, LOS ANGELES
(1982-84=100)

— . . . —



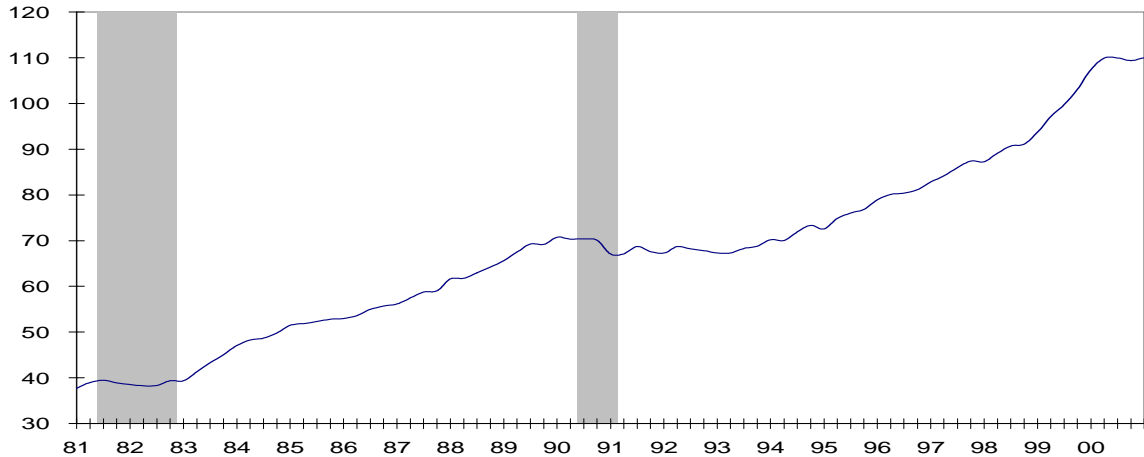
CONSUMER PRICE
INDEX,
SAN FRANCISCO
(1982-84=100)

— . . . —



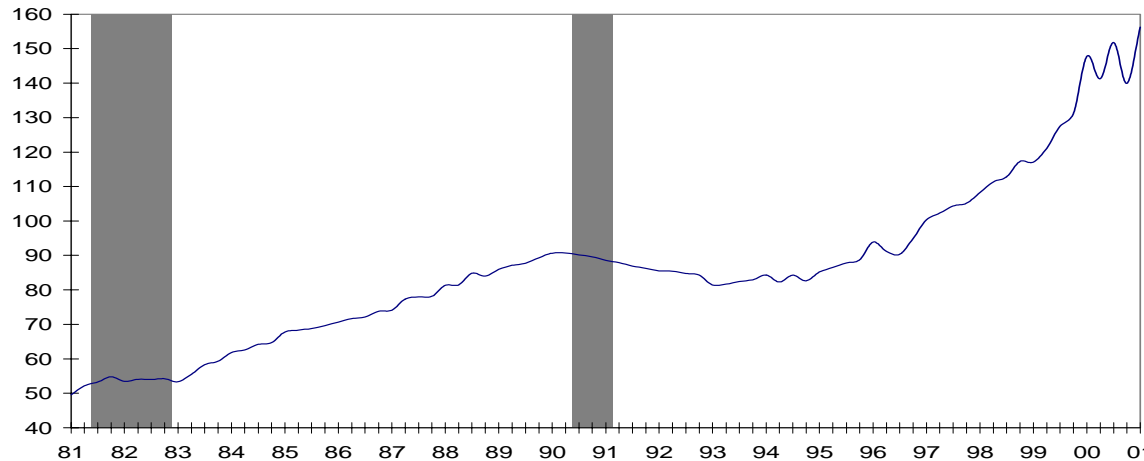
TAXABLE SALES
(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

— . . . —

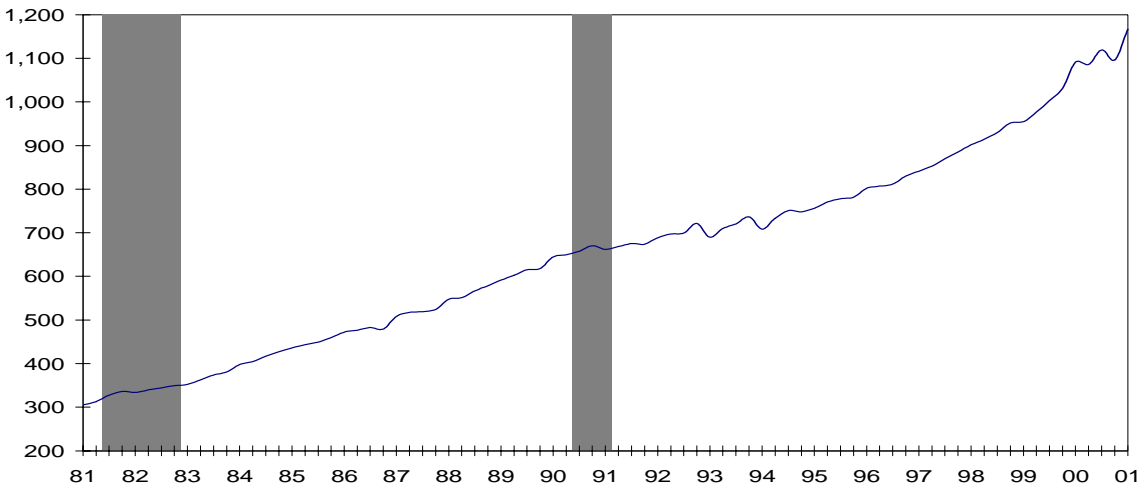


WAGES AND
SALARIES IN MINING,
CONSTRUCTION AND
MANUFACTURING
(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

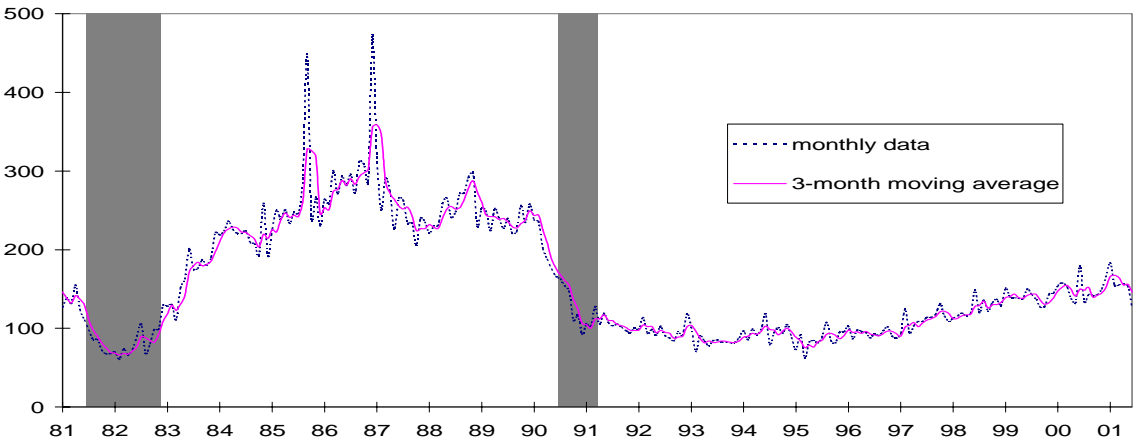
— . . . —



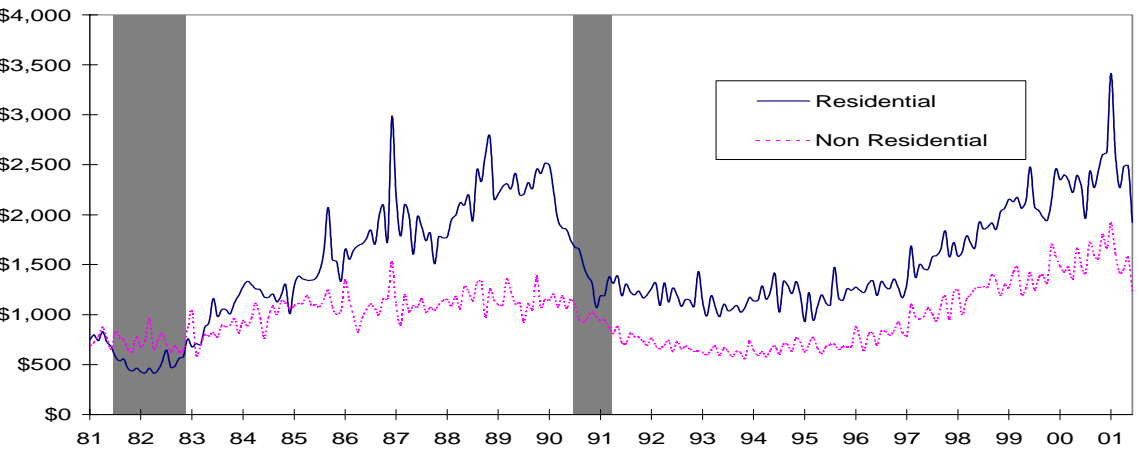
PERSONAL INCOME
(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)



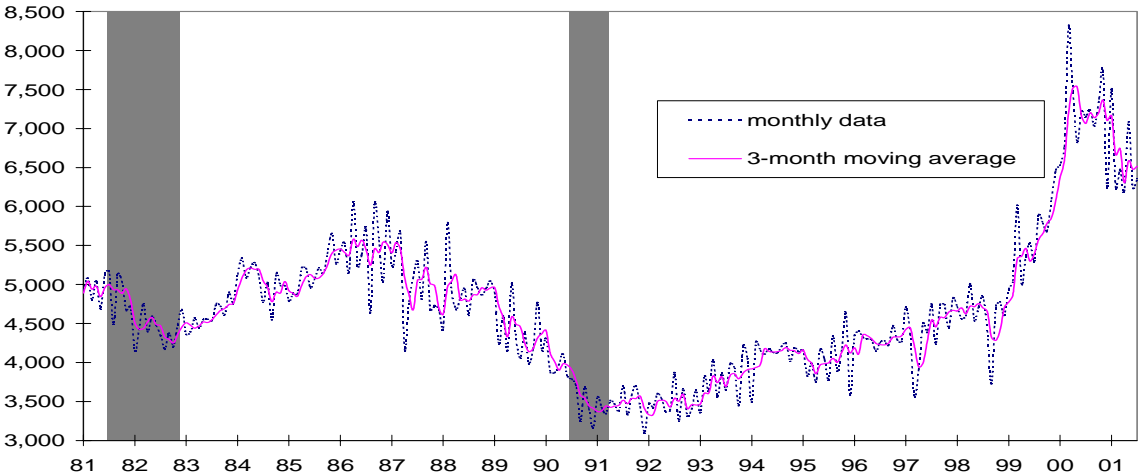
**NEW HOUSING
UNITS AUTHORIZED
BY BUILDING PERMITS**
(THOUSANDS, SEASONALLY
ADJUSTED AT ANNUAL RATE)



**RESIDENTIAL &
NONRESIDENTIAL
BUILDING PERMIT
VALUATION**
(DOLLARS IN MILLIONS,
SEASONALLY ADJUSTED)



**NEW BUSINESS
INCORPORATIONS**
(SEASONALLY ADJUSTED)



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

1999

January 1

A new reserve currency, the "euro" is introduced, creating a single market in Europe. It will be the currency of reference for the 11 countries participating in the European Monetary Union.

January 13

Brazil devalues its currency sending U.S. stocks into a free fall.

January 21

The 1998 trade deficit hit an all-time high of \$175 billion, 58 percent more than the shortfall recorded in 1997.

March 22

OPEC agreed to reduce crude oil production by 2.1 million barrels per day and maintain lower levels of output for a full year.

March 29

Dow Jones Industrial average topped the 10,000 mark.

April 9

The European Central Bank cut its key discount rate, for the first time, from 3.0 to 2.5 percent.

June 29

Federal funds rate raised from 4.75 to 5.00 percent.

July 28

GDP rose 2.3 percent in second quarter.

August 24

Federal funds rate raised from 5.00 to 5.25 percent.

Discount rate raised from 4.50 to 4.75 percent.

September 21

A 7.6 magnitude earthquake hits Taiwan.

September 30

In 1998, the US poverty rate fell to its lowest in 20 years at 12.7 percent. Real median household income hit a record 3.5 percent growth surpassing its pre-recessionary peak in 1989, and for the first time since 1975, all four US regions experienced significant increases.

September 30

Second quarter GDP growth rate revised to 1.6 percent, the smallest gain in four years.

October 4

MCI WorldCom to buy Sprint.

October 13

Producer Price Index for finished goods jumped 1.1 percent in September, the largest monthly increase in 9 years.

October 15

California's unemployment rate dropped to 4.9 percent, the lowest since 1969.

October 27

GDP for third quarter grew at 4.8 percent, 2nd quarter growth rate was revised upward to 1.9 percent from the original 1.6 percent.

November 1

Dow Jones & Co. added the technology leaders Microsoft and Intel as well as two other issues, to its industrial average, the first time that Nasdaq stocks have been included. It also dropped four companies that have been components for most of the 20th century.

November 2

Nasdaq closed above the 3000 mark for the first time.

Packard Bell says it will end its computer manufacturing business, close its Sacramento plant, and lay off 80 percent of its US workforce.

November 16

Federal funds rate raised from 5.25 to 5.50 percent.

Discount rate raised from 4.75 to 5.00 percent.

November 17

Crude-oil futures hit an almost nine-year high, rising 90 cents to \$26.60 a barrel.

November 24

Third quarter GDP grew at an annual rate of 5.5 percent, well above previous estimates.

November 30

Exxon and Mobil merger approved by federal regulators.

December 2

The euro fell to parity with the dollar for the first time since its launch in January as Europe's common currency.

December 17

Pharmacia and Monsanto agreed to merge.

December 22

Third quarter GDP rose at 5.7 percent annual pace, above the previous estimate of 5.5 percent.

December 29

Nasdaq closed above the 4000 mark for the first time.

2000

January 27	Fourth quarter GDP grew at an annual rate of 5.8 percent.
February 2	Federal funds rate raised from 5.50 percent to 5.75 percent. Discount rate raised from 5.00 percent to 5.25 percent.
February 4	The nation's jobless rate at 4 percent is lowest in 3 decades.
February 7	Pfizer Inc. and Warner-Lambert Co complete merger deal.
March 20	Boeing Co. engineers and technical workers returned to work after a 40-day strike ending one of the biggest white-collar walkouts in US history. Crude oil prices drop below \$30 a barrel.
March 21	Federal funds rate raised from 5.75 percent to 6.0 percent. Discount rate raised from 5.25 percent to 5.50 percent.
March 30	GDP growth rate for 4 th quarter was revised upward to 7.3 percent, its strongest pace since 1984.
April 7	President Clinton signed into law a bill allowing older Americans to work without losing any of their Social Security benefits.
April 10	Wells Fargo & Co agreed to acquire First Security Corporation of Utah.
April 27	First quarter GDP grew at an annual rate of 5.4 percent with consumer spending jumping 8.3 percent, the sharpest gain in more than 17 years. Employment cost index jumped 1.4 percent in the first quarter, the sharpest increase in 11 years.
May 16	Federal funds rate raised from 6.0 percent to 6.5 percent. Discount rate raised from 5.5 percent to 6.0 percent.
June 29	GDP 1 st quarter growth rate revised from 5.4 to 5.5 percent.
July 28	GDP 2 nd quarter grew at an annual rate of 5.2 percent.
August -	World oil prices are rising because of increasingly tight supplies. U.S. inventories are at their lowest level since 1976 and crude prices have increased significantly contributing to costlier gasoline and heating oil.
September 19	China was granted permanent normal trade relations status with the U.S.
September 28	GDP growth rate for 2 nd quarter was revised to 5.6 percent.
October 18	Social Security and Supplemental Security income payments will increase by 3.5 percent in 2001, the biggest in almost a decade.
October 31	OPEC plans to increase oil production by 500,000 barrels per day making it the fourth increase this year.
December 21	GDP for 3 rd quarter grew at an annual rate of 2.2 percent.

2001

January 1	California's minimum wage raised from \$5.75 to \$6.25.
January 1	The California state rate portion of the total 7.25% sales tax rate was reduced by .25%, to a total tax rate of 7.00%.
January 3	Federal funds rate reduced to 6.0 percent from 6.5 percent. Discount rate reduced to 5.5 percent from 6.0 percent.
January 17	OPEC to cut oil production by 1.5 million barrels a day, or 5.6 percent of current output.
January 31	Federal funds rate reduced from 6.0 percent to 5.5 percent. Discount rate reduced from 5.5 percent to 5.0 percent.
March 19	OPEC to cut oil production by 1 million barrels a day.
March 19-20	California suffered rolling blackouts.
March 20	Federal funds rate reduced from 5.5 percent to 5.0 percent. Discount rate reduced from 5.0 percent to 4.5 percent.

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CHRONOLOGY—CONTINUED

March 27	California regulators approved retail electric rate increase.
March 29	GDP grew at an annual rate of 1 percent in the fourth quarter, the lowest in more than 5 years.
April 6	PG&E utility unit files for bankruptcy.
April 18	Federal funds rate reduced from 5.0 percent to 4.5 percent. Discount rate reduced from 4.5 percent to 4.0 percent.
April 23	A Tosco refinery explosion pushed gasoline prices to near record highs.
April 24	Standard & Poors lowered California's bond rating from AA to A+
April 27	GDP grew at an annual rate of 2 percent in the first quarter.
May 7-8	California hit by rolling blackouts.
May 15	Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent.
June 7	Federal tax cut was signed into law.
June 18	The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce spikes in wholesale electricity prices in California and other Western states.
June 27	Federal funds rate reduced from 4.00 percent to 3.75 percent. Discount rate reduced from 3.50 percent to 3.25 percent.
June 29	First quarter GDP growth rate revised to 1.2 percent.
August 21	Federal funds rate reduced from 3.75 percent to 3.50 percent. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate.

